



SECURITIES  
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/2006 AND ENDING 12/31/2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Mercaden Securities, LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

3625 Quakerbridge Road

(No. and Street)

Hamilton

(City)

NJ

(State)

08619

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Kenneth A. Kamen

(609) 689-2318

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Rosenberg Rich Baker Berman + Company

(Name - if individual, state last, first, middle name)

380 Foothill Road

(Address)

Bridgewater

(City)

NJ

(State)

08807

(Zip Code)

**CHECK ONE:**

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 14 2007

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FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

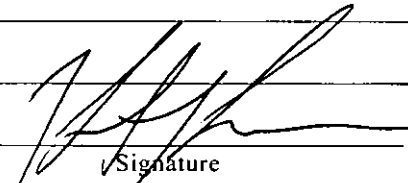
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Kenneth Kamen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mercadieu Securities, LLC, as of 12/31, 20 06, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Sworn to and subscribed  
before me this  
27 day of Feb. 2007

  
Signature  
President  
Title

  
Notary Public

PAULA A. PULITI  
NOTARY PUBLIC OF NEW JERSEY  
Commission Expires 2/18/2008

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**Mercadien Securities, LLC**  
**Financial Statements and Supplementary Schedules**  
**Pursuant to Rule 17a-5 of the**  
**Securities and Exchange Commission**  
**Year Ended December 31, 2006**

**Mercadien Securities, LLC**  
**Index to the Financial Statements**  
**December 31, 2006**

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# Rosenberg Rich Baker Berman & COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS

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♦Certified Business Appraiser  
♦Certified Financial Planner

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## Independent Auditors' Report

To the Members of  
Mercadien Securities, LLC

We have audited the accompanying statement of financial condition of Mercadien Securities, LLC as of December 31, 2006 and the related statements of operations, changes in members' equity, and cash flows that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercadien Securities, LLC as of December 31, 2006 and the results of its operations and its cash flows in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Rosenberg Rich Baker Berman & Company*

Bridgewater, New Jersey  
February 27, 2007

**Mercadien Securities, LLC**  
**Statement of Financial Condition**  
**December 31, 2006**

Assets	
Current Assets	
Cash	\$ 74,415
Deposit with clearing agent	50,000
Receivable from clearing agent	3,129
Prepaid expenses	<u>6,730</u>
Total Assets	<u>134,274</u>
Liabilities and Members' Equity	
Current Liabilities	
Accounts payable	6,629
Due to related parties	<u>4,185</u>
Total Liabilities	10,814
Commitments and Contingencies	-
Members' Equity	<u>123,460</u>
Total Liabilities and Members' Equity	<u>\$ 134,274</u>

**Mercadien Securities, LLC**  
**Statement of Operations**  
**Year Ended December 31, 2006**

Revenues	
Commissions	\$ 1,037,903
Asset management fees	8,606
Interest income	<u>4,821</u>
Total revenues	<u>1,051,330</u>
Operating Expenses	
Administrative charges	12,300
Money manager fees	332,962
Management fees	495,000
Data and quote charges	3,000
Customer clearance expense	143,071
Professional memberships and dues	1,296
License	2,706
Publications	3,253
Telephone	3,075
Professional liability insurance	1,458
Travel and entertainment	888
Legal and professional fees	6,370
Occupancy	21,498
Miscellaneous	<u>46</u>
Total Operating Expenses	<u>1,026,923</u>
Net Income	\$ <u>24,407</u>

**Mercadien Securities, LLC**  
**Statement of Changes in Members' Equity**  
**Year Ended December 31, 2006**

	<u>Contributed Capital</u>	<u>Retained Deficit</u>	<u>Total</u>
Balance, January 1, 2006	\$ 189,000	\$ (79,727)	\$ 109,273
Capital Draws by Members - Cash	(10,220)	-	(10,220)
Net Income for the Year Ended December 31, 2006	<u>-</u>	<u>24,407</u>	<u>24,407</u>
Balance, December 31, 2006	<u>\$ 178,780</u>	<u>\$ (55,320)</u>	<u>\$ 123,460</u>

See accompanying notes to the financial statements.



**Mercadien Securities LLC**  
**Statement of Cash Flows**  
**Year Ended December 31, 2006**

Cash Flows From Operating Activities	
Net Income	\$ 24,407
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities:	
Decreases (Increases) in Assets	
Receivable from clearing agent	(2,139)
Prepaid expenses	(1,230)
Increases (Decreases) in Liabilities	
Accounts payable	1,526
Due to related parties	<u>(97,593)</u>
Net Cash Used in Operating Activities	<u>(75,029)</u>
Cash Flows From Financing Activities	
Members' capital draws	<u>(10,220)</u>
Net Cash Used in Financing Activities	<u>(10,220)</u>
Net Decrease in Cash	(85,249)
Cash, Beginning of Year	<u>159,664</u>
Cash, End of Year	\$ <u>74,415</u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid	\$ <u>-</u>

**Mercadien Securities, LLC**  
**Notes to the Financial Statements**

**NATURE OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of the Business**

Mercadien Securities, LLC (the Company) is a Registered Broker Dealer with the Securities and Exchange Commission (SEC) and a member of the National Association of Securities Dealers (NASD). The Company is a brokerage firm that sells securities and provides investment banking and investment advisory services to corporations and individuals located in New Jersey.

**Basis of Accounting**

The Company employs the accrual method of accounting for financial reporting purposes.

**Cash and Equivalents**

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

**Estimates and Uncertainties**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results, as determined at a later date, could differ from those estimates.

**Deposit with Clearing Agent**

The Company, per the terms of its clearing agent, is required to maintain a restricted security deposit with its clearing broker. Such deposit amounts are refundable to the Company upon termination of the agreement.

**Income Taxes**

The Company is taxed as a partnership for federal income tax purposes and, thus, no income tax expense has been recorded in the financial statements. Taxable income of the Company is passed through to the members and reported on their individual tax returns.

**Investment Banking**

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing merger-and-acquisition and financial restructuring advisory services. Investment banking management fees are recorded on offering date, sales concessions on settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

**Commissions and Revenue Recognition**

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur. Customer securities transactions are recorded on a settlement date basis with related commission income and expenses also recorded on a settlement date basis. Securities transactions of the Company are recorded on a trade date basis.

**Mercadien Securities, LLC**  
**Notes to the Financial Statement**

**CONCENTRATIONS OF BUSINESS AND CREDIT RISK**

At times throughout the year, the Company may maintain certain bank accounts in excess of FDIC insured limits.

**RECEIVABLE FROM CLEARING AGENT**

The Company clears all security transactions through its clearing agent, RBC Dain Rauscher. Amounts earned are reconciled monthly and paid in the subsequent month. As a result, the Company considers the amounts due from its clearing agent to be fully collectible, and accordingly, no allowance for doubtful accounts has been established.

**NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1 which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2006, the Company had net capital of \$116,730, which was \$66,730 in excess of its required net capital. The Company's net capital ratio was .09 to 1.

**RELATED PARTY TRANSACTIONS**

The Company leases office space in Princeton from a member on a month to month basis currently at a rate of \$2,083 per month. Rent expense under this agreement amounted to \$21,498 for the year ended December 31, 2006.

One of the Company's members also provides the Company with certain administrative, support and telephone services on a month to month basis. Expenses under this arrangement amounted to \$15,375 for the year ended December 31, 2006. As of December 31, 2006, \$4,185 remained outstanding to the Member.

The Company collects asset management fees on behalf of a related entity. The Company then remits those fees to the related entity. During the year ended December 31, 2006, the Company collected \$495,000 and remitted \$495,000 under this arrangement. As of December 31, 2006, the Company owed \$-0- to the related entity.

**Mercadien Securities, LLC**  
**Supplementary Information**  
**Computation of Net Capital Under Rule 15c3-1 of**  
**the Securities and Exchange Commission**  
**December 31, 2006**

**NET CAPITAL**

Total Members' Equity	\$ 123,460
Deductions and/or Charges:	
Non-Allowable Assets:	
Prepaid expenses	<u>6,730</u>
Total Non-Allowable Assets	<u>6,730</u>
Net Capital	<u>\$ 116,730</u>

**AGGREGATE INDEBTEDNESS** \$ 10,814

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS**

Minimum net capital required	<u>\$ 720</u>
Minimum dollar net capital requirement	<u>\$ 50,000</u>
Excess Net Capital at 1,500 percent	<u>\$ 66,730</u>
Excess Net Capital at 1,000 percent	<u>\$ 115,649</u>
Ratio of Aggregate Indebtedness to Net Capital	<u>.09 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

(included in Part IIA of Form X-17a-5(a) as of December 31, 2006)

Net capital, as reported in Company's Part IIA (Unaudited) FOCUS report	\$ 119,280
Net audit adjustments - accruals	<u>(2,550)</u>
Net capital per above	<u>\$ 116,730</u>

See independent auditors' report.

**Mercadien Securities, LLC**  
**Computation for Determination of Reserve Requirements**  
**Under Rule 15c3-3 of the Securities and Exchange Commission**  
**As of December 31, 2006**

The Company claims an exemption from the reserve requirement under paragraph (k)(2)(ii) of Rule 15c3-3.

See independent auditors' report.

# Rosenberg Rich Baker Berman & C O M P A N Y

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♦ Certified Business Appraiser  
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973-763-6363  
973-763-4430 Fax

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

### To The Members of Mercadien Securities, LLC

In planning and performing our audit of the financial statements of Mercadien Securities, LLC (the "Company"), as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded

against loss from unauthorized use or disposition and that transaction are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purpose in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Members, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Rosenberg Rich Baker Berman & Company*

Bridgewater, New Jersey  
February 27, 2007

*END*